Portland Development Commission:
Management of on-call contracts inconsistent with Commission expectations

Audit summary - January 2016

We found on-call contracting practices need to be more effectively and equitably managed to meet the Commission's expectations. The Commission spent approximately $1.2 million on professional services through on-call contracts in fiscal year 2015. Ultimately, more effective and equitable practices will help the Commission make progress toward strategic objectives as well as its mission to create economic growth and opportunity for Portland.

Commission strategic plan 2015-2020		On-call contract		
Objective	**Outcome**	**Expectation**	**Practice**	
Operate an equitable, innovative and financially sustainable agency	Effective management and governance Financial sustainability and stewardship	Effective contract administration	1. Proportion of unused on-call contracts increased 2. Persistent weaknesses in contract administration	EFFECTIVENESS
Foster wealth creation within communities of color and low-income neighborhoods	Equitable construction and contracting	Fair distribution with preference for certified firms	3. Use within service categories is not monitored 4. Issues impact reporting of equity outcomes	EQUITY

The Commission needs to address weaknesses in four areas:

1. Enhance ***planning*** to minimize unused contracts, maximize administrative efficiencies and best represent the Commission's needs to the contracting community.
2. Improve contract ***administration*** to better detect when contract terms are not met – an area where our audit results amplify previously reported weaknesses.
3. Increase oversight for the fair ***distribution*** of on-call contract dollars with a preference for firms certified as minority-owned, women-owned, or emerging small businesses.
4. Better ***reporting*** of progress toward Business Equity Program goals to use certified firms.

Each weakness is further described on the next page.

See the full report (below) for more details, as well as our recommendations.

For the full report, click or go to: **www.portlandonline.com/auditor/index.cfm?c=69674&a=559561**
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PLANNING: Unused on-call contracts may impact efficiencies for the Commission as well as its contractors

An increasing proportion of the Commission's on-call contracts were not used. Time and resources are invested to set up on-call contracts, which are competitively solicited price agreements used on an as-needed basis. Unused contracts can affect anticipated efficiencies at the Commission as well as the contractors who invest resources to submit proposals and maintain insurance coverage even when they are not offered work.

ADMINISTRATION: Persistent weaknesses in contract administration limits contractor accountability

The Commission continues to be challenged by its contract administration responsibilities as shown by instances of noncompliance for each of our tests. The compliance errors did not add up to a significant dollar amount. However, there are currently few mechanisms in place to hold staff accountable for their responsibilities. Each instance of noncompliance went undetected, and the frequency of occurrence for some points to areas that need management attention.

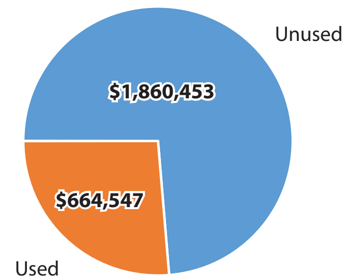
DISTRIBUTION: Fair use and certified firm preference within service categories is not monitored

The Commission has no system to evaluate whether contractor selection decisions met its fair use and certified firm preference. As a result, the distribution of work – and contract dollars – to contractors varied. For example, the five contractors within the Real Estate Appraisal service category were paid an average of $44,000, yet the most-used contractor had work over double that average. Contractors appear to be repeatedly selected due to prior experience with a project or site, which may reduce the actual number of work opportunities for other contractors.

REPORTING: Issues impact reporting of equity outcomes for on-call and other contracts

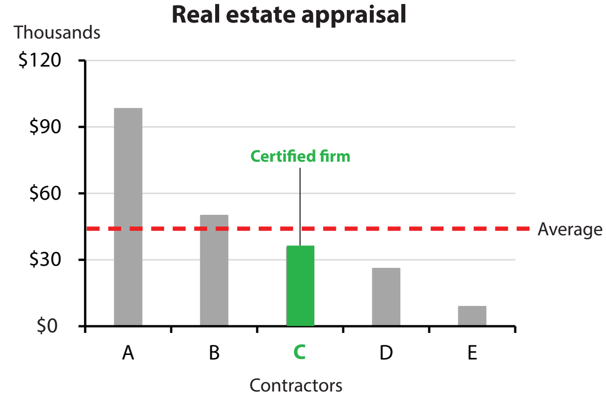
The Commission needs more relevant, complete and accurate reporting to ensure its strategic objectives and equity goals are met. For example, the Commission exceeded its 25 percent target for certified firms when based on on-call contract awards. But, since award value is mostly unused, a goal based on dollars paid would be more relevant. We found payments to certified firms was not tracked by the Commission. Moreover, the Commission's certified firm data was not reliable enough for us or management to report on payment results.

Value of expired contracts, 2015



Noncompliance test of 14 contracts	% noncompliant
Work product issue (late/waived without written agreement, or nonexistent)	75%
Invoice detail insufficient	71%
Services prior to signed work order	43%
Invoice compensation issues (errors, unauthorized contractor staff/ subcontractors)	36%
Invoice overpayment (paid higher hourly rate, reimbursed for unallowable expenses)	29%

Real estate appraisal



Equity outcomes for on-call contracts, 2014